

FEDERAL BUREAU OF INVESTIGATION
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196A-NY-215221

Continuation of FD-302 of [REDACTED]

, On 2/6/92, Page 3

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[REDACTED] stated someone within the process of transferring the shares noticed that the corporate seals were missing from the BERLITZ certificates. These shares were returned to [REDACTED] where the seals were placed on the securities and returned to LEHMAN BROTHERS INTERNATIONAL. The shares were sent to the United States and deposited with BANKERS TRUST. BANKERS TRUST was the institution which registered the stock with the DEPOSITORY TRUST and became custodian of the stock for LEHMAN BROTHERS INTERNATIONAL.

Late in October, 1991, LEHMAN BROTHERS INTERNATIONAL became concerned with its loan stock agreement with BIT. The balance was consistently near the loan's maximum limits. Historically, when LEHMAN BROTHERS asked BIT to lower its outstanding loan balance, BIT complied. Now BIT appeared to be using stalking tactics with no results.

On November 4, 1991, LEHMAN BROTHERS INTERNATIONAL made a demand for the return of all the Treasury Bills pursuant to the stock loan agreement. A twenty-four hour deadline was set. If the bills were not returned, LEHMAN BROTHERS INTERNATIONAL would foreclose on BIT's collateralized shares.

On November 5, 1991, BIT did not respond. LEHMAN BROTHERS INTERNATIONAL started the legal procedure to foreclose on the collateral in the United Kingdom. On November 6, 1991, LEHMAN BROTHERS INTERNATIONAL sold BIT's collateralized shares to its parent company, SHEARSON LEHMAN HOLDINGS.

Several weeks later, SHEARSON LEHMAN HOLDINGS notified the DEPOSITORY TRUST that they were the new owners of 1.9 million shares of BERLITZ INTERNATIONAL stock. [REDACTED] recalled that in December, 1991, MACMILLAN claimed to be the true owners of 1.9 million shares.

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[REDACTED] stated in January, 1992, BERLITZ filed an interpleader action in the Supreme Court asking the court to determine the true owners of the stock. BERLITZ has been placing their dividend payments into an escrow account until the ownership in question is resolved.

[REDACTED] stated [REDACTED] worked for LEHMAN BROTHERS INTERNATIONAL in London in 1989. He originally set up the stock lending agreement with BIM. He is no longer employed with the company.

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196A-NY-215221

Continuation of FD-302 of [redacted], On 2/6/92, Page 2

[redacted] stated in 1990 or 1991, [redacted] requested the loan limitation be increased to 110-120 million dollars. This request was approved.

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[redacted] stated MAXWELL COMMUNICATION CORPORATION (MCC) was 68% owned by the [redacted] family. MCC owned 100% of MACMILLAN (MAC) and MACMILLAN owned 56% of BERLITZ INTERNATIONAL CORPORATION. [redacted] were on the Board of Directors of both MCC and MACMILLAN.

On November 5, 1990, a nominee agreement was entered into between BISHOPSGATE INVESTMENT TRUST (BIT) and MACMILLAN. MACMILLAN transferred ownership (legal title) of BERLITZ INTERNATIONAL shares to BIT. Pursuant to the transfer of ownership, [redacted] queried legal counsel about having to notify the SECURITIES and EXCHANGE COMMISSION (SEC) about the nominee transfer. Legal Counsel's opinion was that no notification was needed to any government entity with respect to a nominee transfer. On November 5, 1990, BIT had the BERLITZ INTERNATIONAL shares transferred into its name.

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[redacted] stated at the end of November, 1990, BIT approached LEHMAN BROTHERS INTERNATIONAL in London to pledge BERLITZ INTERNATIONAL shares as collateral under the previous stock lending agreements.

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[redacted] stated he personally saw the back of BIT's collateralized BERLITZ INTERNATIONAL stock certificates endorsed by [redacted]. In November, 1990, LEHMAN BROTHERS INTERNATIONAL received 1.37 million shares of stock as collateral. Another 630,000 shares were pledged in September, 1991, but the value of the shares LEHMAN BROTHERS were holding pursuant to the stock loan agreement had increased so 100,000 shares of BERLITZ INTERNATIONAL were turned back to BIT.

[redacted] stated MORGAN STANLEY, CREDIT SUISSE and other banking institutions had also received BERLITZ certificates as collateral.

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Initially, LEHMAN BROTHERS INTERNATIONAL had kept their shares of BERLITZ INTERNATIONAL in a vault in London. In the spring of 1991, SHEARSON LEHMAN BROTHERS had a change in policy which required LEHMAN BROTHERS to transfer U.S. traded securities to the United States where SHEARSON LEHMAN BROTHERS would register these certificates with the DEPOSITORY TRUST in New York.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/25/92

[redacted] Date of Birth (DOB) [redacted] was contacted at his office at SIMPSON, THACHER & BARTLETT, 425 Lexington Avenue, New York, New York, 10017-3909, business telephone number [redacted] was advised of the identities of the interviewing Agents and the nature of the interview. He voluntarily furnished the following information:

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[redacted] advised he is representing SHEARSON LEHMAN BROTHERS (SLB) regarding their claimed ownership of 1.9 million shares of BERLITZ INTERNATIONAL shares of stock received as collateral. [redacted] stated, he had just returned from London, England, where he was advised of the matter.

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[redacted] stated that although [redacted] owned hundreds of companies, SLB was involved with only a few. He provided the following list of [redacted] companies that SLB has dealt with:

BISHOPSGATE INVESTMENT TRUST (BIT)
BISHOPSGATE INVESTMENT MANAGEMENT (BIM)
LONDON & BISHOPSGATE GROUP
LONDON & BISHOPSGATE INVESTMENTS
LONDON & BISHOPSGATE INTERNATIONAL

[redacted] stated there were 1 or 2 other international companies involved. [redacted] added that SLB very rarely dealt directly with [redacted] but instead SLB dealt with [redacted]

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In November, 1989, the original stock-loan agreement was entered into between SLB in London and BISHOPSGATE INVESTMENT MANAGEMENT (BIM). A stock loan agreement is one in which a company pledges 115%-120% of a stock for the value received in Treasury Bills. [redacted] initially had a 75 million dollar limitation. At the end of December, 1989, or the beginning of January 90, there were a number of different company stocks being held as collateral by SLB pursuant to the loan agreement.

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SHEARSON conducted monthly reconciliations of the stock value to the outstanding loan amount. If the values of the stocks pledged decreased, SLB would ask BISHOPSGATE for additional collateral.

Investigation on 2/6/92 at NEW YORK, NEW YORK File # 196A-NY-215221
by SAs [redacted] Date dictated 2/6/92

Sub B - 9

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